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C O N F I D E N T I A L ANKARA 001120

SIPDIS

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SUBJECT: ELECTRICITY EXPORTS TO IRAQ SET TO EXPIRE JUNE 30

REF: ANKARA 227

Classified By: Acting Economic Counselor Rebecca Neff for reasons 1.4 (B) and (D)

¶1. (C) On June 17, Karadeniz Toptan Elektrik Ticareti (KARTET) Director Nuray Atacik told us that electricity exports to Iraq are set to expire on June 30, 2008, unless Kartet receives two key documents from the GOI, followed by an approval from the GOT. From Iraq, Kartet needs an extension of the existing electricity contract from the State Oil Marketing Organization (SOMO) and a letter of credit worth USD 100 million to cover electricity costs for the remainder of 2008 and 2009. From Turkey (specifically, the Foreign Trade Under-secretariat (FTU), Kartet needs a renewed import permit for heavy fuel oil (HFO) which powers Kartet's electricity generation. Approval for the HFO permit is contingent on review of the aforementioned GOI documents. Atacik said Kartet is entering a critical period and she needed to receive GOI documents soon. She added that issuance of the HFO permit could take a week or two.

¶2. (C) Atacik said it was unlikely Kartet would cut off electricity on July 1 even if the proper documents were not in place. However, she said lack of HFO could cause the plant to shut down. Kartet will not be allowed to import HFO after July 1 without a renewed permit. Atacik said Kartet had enough HFO in storage tanks to continue to generate electricity for about 20 days after HFO shipments had stopped.

¶3. (U) Background: Kartet is the only Turkish company that exports electricity to Iraq. The exports began in 2003 and have slowly ramped up to 200 megawatts. Kartet supplies electricity to approximately 1 million Iraqis in Northern Iraq.

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